



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN

Strengthening the Economy

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PHOTO: USAID/AFGHANISTAN

Men exchange currency in a local market. The private sector economy in Afghanistan must begin to grow and offer people opportunities for reconstruction to succeed.

PRIVATE SECTOR

USAID is supporting the stimulation of economic growth by creating a venture capital fund and separate loan guarantee program for ex-combatants in order to stimulate local private sector development and create sustainable employment. Activities include:

++ Establishing the Afghanistan Renewal Fund, the first venture capital fund in Afghanistan specifically targeting small, medium-sized enterprises.

++ Providing technical assistance in business plan development, market research analysis and market entry.

++ Establishing the First Loss Reserve Fund, a loan guarantee fund providing participating banks a \$10,000 guarantee for each ex-combatant hired by the loan applicant.

++ Improving quality and marketing of products in three sectors: carpets, marble, and dried fruits and nuts.

OVERVIEW

USAID's economic growth program assists the Government of Afghanistan to design and implement sound economic policy that is sustainable, transparent and predictable. USAID aims to strengthen economic governance in the public sector, building capacity and establishing an environment that enables the private sector to expand and produce jobs and income.

PROGRAMS

CUSTOMS REFORM

USAID is supporting the programs of the Ministry of Finance (MoF) and Mustofiat (provincial revenue offices), including customs clearance procedures, valuation and classification, development of a new Customs Code, and human resources. To date, the program has:

- Completed and equipped the Sher Khan Bander Border Post.
- Trained 110 provincial MoF staff under the Mustofiat program.
- Administered 26 different training seminars to 461 MoF staff members.
- Assisted the MoF to surpass the IMF domestic revenue generation goal for 2004, an increase of 20% from 2003. Revenue collection further increased 35% for the first 2 months of 2005, compared to the same timeframe in 2004.

CENTRAL BANK REFORM

USAID is supporting central bank (DAB) reform aimed at building a sound financial system. Thus far, USAID has:

- Assisted the DAB's regional branches to transition from Mustofiat revenue account to Treasury Single Account.
- Supported the successful execution of DAB's Farah provincial branch's first Afghanistan Funds Transfer System transaction.
- Licensed ten banks and re-licensed three state-owned banks; four foreign-owned banks are now operating in the country.

LAND TITLING

USAID is supporting the transfer of clear, marketable ownership title to Afghan citizens in a manner that is efficient and effective. To date the program has:

- Completed aerial mapping for two pilot districts in Kabul.
- Reorganized five Makhzans (provincial deed offices).
- Reorganized 2.1 million deeds.
- Established dispute resolution program in one pilot district.



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Economic Growth (continued)



PHOTO: USAID/AFGHANISTAN

Mazar Sharif fertilizer state-owned enterprise.



PHOTO: USAID/AFGHANISTAN

Villagers discuss land titling issues in this recent consultation meeting.



Bagrami Industrial Park.

PRIVATIZATION OF STATE-OWNED ENTERPRISES (SOE)

USAID is supporting privatization of state-owned enterprises as a major prerequisite for a viable market economy. This includes a rapid transfer of state-owned assets to the private sector and the development of both private and public sector institutions and practices that serve as the foundation for a transparent, market-based economy. Achievements to date include:

- Drafted changes to existing SOE law submitted to the MoF for approval.
- Privatized Baghlan Sugar SOE in May, 2005, at a sale price of 15.5M euro.

BUSINESS ASSOCIATION STRENGTHENING

USAID is supporting the creation of a Business Association Support Network which seeks to build the capacity of the Afghan International Chamber of Commerce (AICC), provincial and local business associations and other civil society groups to provide a sound foundation for policy dialogue, investment promotion, and economic development. The program has:

- Opened AICC branch offices in Kandahar and Jalalabad.
- Supported the Afghan Builders' Association efforts to increase competency of its construction company members.
- Established Afghan Business Council in Dubai.
- Created and expanded women's business associations that provide training and business development services.

INDUSTRIAL PARKS

USAID is financing the construction of three industrial parks to stimulate investment and minimize potential business risk to the investors. The provision of a clear marketable title is projected to be a major incentive for attracting investor interest. The status to date is:

- Completed 84% of Bagrami Industrial Park.
- Completed 35% of Kandahar Industrial Park.
- Completed 11% of Mazar Sharif Industrial Park.